



State of Connecticut
HOUSE REPUBLICAN OFFICE

STATE CAPITOL
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Testimony before the Labor Committee
March 13, 2012
House Bill 5402
“An Act Establishing a Task Force
to Examine Unemployment Compensation”

Chairs Prague and Ryan, Ranking Members Rigby and Guglielmo and members of the Labor Committee, this testimony is being submitted in support of Raised Bill 5402, “An Act Establishing a Task Force to Examine Unemployment Compensation.”

Our nation has been going through one of the worst recessions since the Great Depression and our state has not been immune to the loss of jobs that has resulted. Like other states, we have met our obligations to those who have become unemployed through no fault of their own, but also like other states, our resources have been overwhelmed and our unemployment trust fund – the savings account we use to pay unemployment benefits - became insolvent at the end of 2009.

As we go through this recession and seek to help as many unemployed persons as we can, we should examine how our state could do a better job at focusing and targeting our limited unemployment resources so those needing them most will be able to get them.

Raised Bill 5402 starts that process. It establishes a task force to study unemployment benefits in Connecticut and determine whether such benefits should be adjusted. Other states have taken different approaches, trying a number of options we ought to at least consider. The options the task force must consider include the following:

(1) Whether the amount of unemployment compensation received by an individual could be reduced over the course of the benefit period.

Our UIC Fund is currently insolvent and has been since October 2009. As a result, we’ve had to replenish that fund using federal loans of over \$800 million, with a current outstanding balance of \$710 million.¹ The interest on those loans must be repaid by employers through a Special Assessment and the principal has to be repaid through a .3% unemployment tax increase. Among the options for addressing this problem, suggested by our non-partisan Office of Legislative Research, is reducing unemployment benefits.²

¹ DOL testimony before the Labor Committee, 3/8/2012.

² OLR Hot Issues document, 12/30/2011, 2011-R-0461, p. 19.

Ramping down those benefits over time would reduce some of the pressure on our Fund and allow us to help more folks without hurting the businesses that create the jobs those same folks need.

(2) The savings that could result from requiring individuals to wait a week prior to receiving benefits.

Connecticut is one of only twelve states that does not have a waiting period to receive unemployment benefits. Most states have a one-week waiting period and it makes sense to focus our limited benefits resources on those who have been unemployed for at least one week.

(3) The savings that could result from updating the base period wages threshold for an individual to be eligible for unemployment compensation benefits to two thousand dollars or more.

In order to qualify for unemployment compensation, Connecticut residents must have minimum wages of \$600 in the base period (four out of the last five quarters – see 31-231a(b)). This is one of the lowest thresholds for unemployment compensation in the country and hasn't changed since 1967. Only Hawaii has a lower threshold. Twenty-nine states require wages of at least \$2,000; some require more than \$4,000. To the extent that we are a high-wage state and have a much higher than average maximum potential unemployment compensation benefit, it makes sense to increase the required base period wage threshold.

(4) the savings that could result from adjusting the base period wages for an individual to be eligible to receive unemployment compensation benefits to a threshold based on an individual's completion of thirty days or more of employment with an employer.

In Connecticut, weekly unemployment benefits may be as low as \$15. Twenty-two other states don't offer unemployment benefits unless a person worked enough to receive at least \$50 in unemployment benefits. To the extent that we are a high-wage state and have a much higher than average maximum potential unemployment compensation benefit, it makes sense to require a person to work enough to receive a higher base amount of benefits.

(5) the savings that could result from indexing the number of weeks of benefits to be received by an individual to the state's unemployment rate.

The duration of benefits in Connecticut is uniform for all who are eligible – 26 weeks.³ Forty-three other states have programs in which the duration of benefits go up to a maximum of 26 weeks. But the duration may be significantly less than 26 weeks in those states. Therefore, not only does Connecticut have a high benefit level, the duration of the benefit is extended compared to other states.

³ Does not include federally-funded extensions.

Last year, Florida became the first state to link the amount of time people can collect unemployment benefits to the state's unemployment rate. Under the Florida law, as the state's jobless rate falls, so does the duration of benefits. We should adopt a similar law in Connecticut.

(6) measures other states have taken to reduce the cost of unemployment compensation.

We are certainly not alone in having to try and stretch our unemployment resources as far as possible and we can look to what other states have done to address the needs of the unemployed in a way that insures we are able to help as many of them as possible.

I urge you to pass Raised Bill 5402. This task force will provide valuable information and helpful guidance that will allow us to evaluate how best to strike the proper balance between the folks that have lost their jobs as a result of this recession, the employers that we all rely on to create and maintain those jobs, and the limited resources we have available to meet their needs.

Thank you for your time and consideration. I look forward to answering any questions you may have.